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C O N F I D E N T I A L SECTION 01 OF 03 ANKARA 001724

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TAGS: [ENRG](#) [ECON](#) [EPET](#) [AJ](#) [GG](#) [KZ](#) [TU](#)

SUBJECT: CBED AMBASSADOR MANN'S MARCH 12 VISIT TO ANKARA

REF: ANKARA 1448

Classified by Econ Couns Scot Marciel, Reason 1.5 (b,d)

1. (C) Summary: During CBED Ambassador Mann,s March 12 visit to Ankara, MFA and Ministry of Energy officials requested his intervention with the World Bank on the negative pledge clause issue (reftel) and with Greece on the Interconnector Turkey-Greece (ITG). MFA Deputy U/S Kilic also pressed for Ambassador Mann,s assistance in making progress on the Balkan export route for Caspian gas to Europe, suggesting a Turkey-Greece-U.S. meeting on this issue on the margins of an April 3-4 conference in Istanbul. In meetings with MFA and Ministry of Energy Officials, as well as with the President and Prime Minister,s advisors, Ambassador Mann emphasized that BOTAS needed sufficient authority to meet its obligations under the BTC turnkey contract. Ambassador Mann,s interlocutors uniformly responded that they were aware of this issue and were working to resolve it. End summary.

GOT Request for Help: TPAO, Greece Connection  
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2. (C) In a cordial, one-hour meeting on March 12, Ministry of Energy Deputy U/S Nermin Berki and MFA Deputy Director General Hakki Akil thanked Ambassador Mann for his continued work toward the realization of the East West Energy Corridor. Berki noted that February 2003 had been an important month -- BTC had reached the "point of no return," the Shah Deniz project had been sanctioned, and, on February 23, Turkey and Greece had signed the Intergovernmental Agreement for the Interconnector Turkey-Greece (ITG). Berki and Akil asked for Ambassador Mann,s assistance on two issues: with the World Bank on applicability of the negative pledge clause to TPAO (reftel) and with Greece on the ITG.

3. (C) Berki said the World Bank,s negative pledge clause, which prohibits TPAO from pledging its potential future revenues in order to secure financing, presented a real problem for the GOT. She said the World Bank had not yet responded to the GOT,s request for a waiver of the clause, but indications were that the waiver would be denied. Berki said the GOT would appreciate Amb. Mann's support with the World Bank on this issue. Amb. Mann responded that he could not provide the formal USG position on a TPAO waiver without further discussing the issue in Washington; however, he would look into all the available options for TPAO with an eye toward finding a positive way forward. Mann also encouraged the Ministry of Energy to send an expert team to Washington to discuss TPAO,s alternatives directly with the World Bank.

Caspian Gas to Europe and the ITG  
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4. (C) On the Interconnector Turkey-Greece, Berki and Akil requested that Ambassador Mann intervene directly with the Greeks (DEPA) to 1) urge them to conclude the sales purchase agreement with BOTAS as soon as possible; and 2) urge more flexibility on price. Akil noted that BOTAS was willing to make concessions by not charging a transit tariff, but BOTAS could not charge less than what it was paying for Shah Deniz -- its cheapest -- gas. He added that what Gazprom was currently charging DEPA was not a "real price," and was designed by Russia to undercut the East-West Energy Corridor. Russia,s recent attempt to increase the volumes in its Western lines into Europe was another concrete sign of its policy to undercut Caspian gas. Akil said the GOT was trying to urge Greece to "think strategically" about its gas policy.

5. (C) Ambassador Mann responded that he understood both the

Greek and Turkish positions on this issue -- Greece,s Gazprom contracts were indeed cheaper than what BOTAS was offering, but it was difficult for BOTAS to charge less than the Shah Deniz price. He emphasized that there must be a sharing of incentives and risks. Amb. Mann added that he could be more effective on this issue if he were better informed about gas pricing policies in Turkey. Berki agreed to try to send a BOTAS representative to Washington to discuss these policies with Mann as soon as possible.

16. (C) BOTAS General Manager Bildaci, who was unable to meet with Ambassador Mann, told econoff March 17 that, in his view, the most important ITG issue on which Amb. Mann could help was getting DEPA to commit to taking 2-3 bcm of gas annually through the ITG, ramping up over several years from the 1/2 bcm to which DEPA was currently committed to taking (reftel). Bildaci emphasized to econoff that the volume issue was more important than price. Bildaci added that the Russians, latest plan was to transfer the gas Gazprom was currently exporting to Turkey through the two Russia West pipelines to the Blue Stream pipeline; that way, he said, Russia could use the West pipelines to increase its exports to Europe.

17. (C) In a separate meeting, MFA Deputy U/S for Economic Affairs Alev Kilic asked for Ambassador Mann,s thoughts on "next steps" for exporting Caspian gas through Turkey to Europe via the Balkans route. Kilic emphasized the GOT desire that the U.S., working together with Turkey and Greece, engage to bring the Balkan countries rapidly and concretely into their gas transportation network. Akil noted that the Greek Development Minister Aksi Tsohatzopoulos, who could be helpful on this issue, would be attending the TURKIOG Oil and Gas Congress in Istanbul April 3-4. He said the MFA had also formally invited Ambassador Mann to speak at this conference, and thought this might be a good opportunity for a U.S.-Turkey-Greece discussion of next steps.

BTC: Financing and BOTAS  
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18. (C) In all of his meetings, including with Chief Advisor to the Prime Minister Ahmet Davutoglu, Presidential Energy Advisor Volkan Ediger, MFA Deputy U/S Alev Kilic, and MENR Deputy U/S Nermin Berki, Ambassador Mann emphasized the need for successful implementation of the BTC contract in Turkey. Mann asked each of his interlocutors for their help in ensuring that BOTAS had sufficient authority to meet its obligations under the BTC turnkey contract. Davutoglu told Amb. Mann that he had discussed the "BOTAS problem" with Energy Minister Guler, who was an old friend. He said he would raise the issue again with the Minister, and would do his best to fix the problem.

19. (C) Berki and Akil told Mann that Bildaci had presented a comprehensive explanation of the problem at a recent lunch with Foreign Minister Yakis and Energy Minister Guler. Berki said Guler is committed to resolving this issue as soon as possible. Ambassador Kilic also gave his reassurances that the GOT was working on a resolution of this issue.

110. (C) Kilic and Akil both thanked Amb. Mann for his assistance in facilitating the recent Turkish-Azeri-Georgian-BP visit to Washington to discuss financing. Both said there were still concerns about the delay in finalizing the financing deal. Ambassador Mann said he felt confident that the financing arrangements were in good shape. The IFC had told President Aliyev it would make a final decision on financing by September, and Mann believed that date would stick.

Meetings with Advisors and Parliamentarians  
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111. (C) In a meeting with Chief Advisor to the Prime Minister Ahmet Davutoglu, and lunch with Presidential Energy Advisor Volkan Ediger and AK party parliamentarians, Ambassador Mann reviewed U.S. energy policy in the Caspian, noting that U.S.-Turkish cooperation had been and would continue to be key to the success of this policy. Davutoglu began a spirited discussion of Iraq. Ambassador Mann strongly reaffirmed the need to work positively within the U.N. to deal with the threat proposed by the Iraqi regime.

Comment  
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12. (C) Ambassador Mann,s visit was extremely valuable in getting the GOT to focus on BOTAS implementation of the BTC contract in Turkey. Mann,s interlocutors seemingly had anticipated his raising the issue, and uniformly responded that they were aware of the problem and were working to fix it. We note the MFA pressed hard to make progress on the Balkan export route, directly requesting USG assistance on next steps. End comment.  
PEARSON